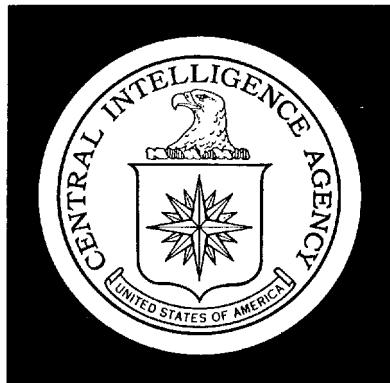


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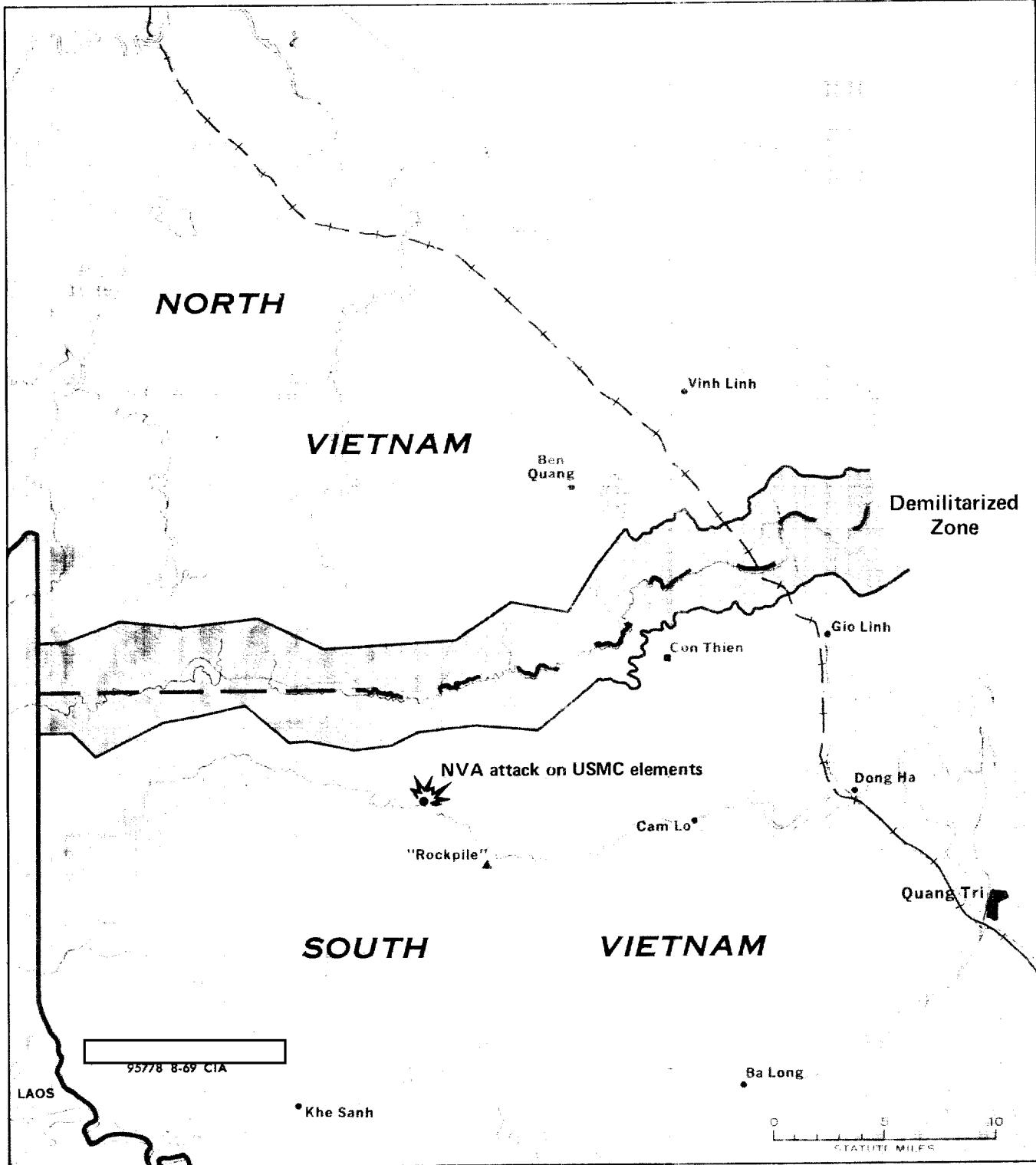
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DMZ AREA: Attack on USMC Elements



C South Vietnam: Communist forces conducted strong attacks against US Marines near the Demilitarized Zone this weekend, but enemy-initiated action elsewhere remained at a low level.

On 10 August, North Vietnamese regulars--hurling grenades and satchel charges--attacked two US Marine base camps located in an area some 13 miles west-southwest of Con Thien and about three miles below the Demilitarized Zone. According to preliminary field reports, the Marines lost 19 killed and 80 wounded; enemy losses were placed at 17 killed.

The attacks occurred in roughly the same area where US Marines killed more than 100 enemy troops in three sharp battles on 7 August. Documents, equipment, and weapons captured near the scene of these engagements suggest that up to four battalions of the North Vietnamese 304th Division's 9th Regiment may have recently infiltrated across the DMZ to participate in these actions.

There are continuing indications, meanwhile, of Communist plans for an "August offensive" in several important areas of the country. Allied bases and isolated district and provincial capitals in northern III Corps appear to be the most seriously threatened, and the possibility of coordinated, supporting actions of lesser intensity in other corps areas cannot be discounted.

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C Israel-Jordan: The level of hostilities along the Israeli-Jordanian cease-fire line may be on the verge of rising seriously.

Israeli planes yesterday again severed the East Ghor Canal where it was cut in late June. The canal, largely designed, financed, and built by the US, supplies water to important citrus and banana orchards in the Jordan Valley. The last time the canal was cut the Israelis fired on workers attempting to repair the break, and it was early in July before the Israelis would allow repairs to be made.

A spokesman for King Husayn has asked the US to inform Israel that workers would attempt to repair the canal this morning. If they are fired on the spokesman says there will be no further attempt to repair the canal and the Jordan Valley will be allowed to become a desert. The Jordanian threatened escalation "on a scale never before witnessed on the Jordanian-Israeli front" if the Israelis fire on the workers. It is doubtful that the Israelis would allow the canal to be repaired under such a threat from Jordan.

The Jordanians have rejected appeals from the US embassy not to move too precipitously. US officials in Amman report that the Jordanians are in a highly emotional state and that the consequences could be as serious as the Jordanians predict.

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El Salvador - Honduras: Salvadorans in Honduras are coming under increasing social and economic pressure.

The Honduran economics minister reports a widespread campaign urging Hondurans not to employ Salvadorans and calling for a boycott of Salvadoran shops. Top Honduran labor leaders confirm worker hostility. Labor is insisting that Salvadoran immigration be stopped and that all Salvadorans without legal documentation be deported.

Anti-Salvadoran tirades by Honduran student and worker groups are not new, but since Honduras' recent diplomatic and military defeats President Lopez may be less able to resist pressure for a firm anti-Salvadoran policy. If he yields to this pressure, however, major political problems may arise in El Salvador and a renewal of hostilities could not be ruled out. Protection and equal treatment for Salvadorans in Honduras were major Salvadoran "war aims," and reports of any Honduran mistreatment of Salvadorans would place the Salvadoran Government under the same kind of public pressure to pursue a hard-line policy as it was subjected to before the fighting began.

One hopeful sign has been an interest by some Latin American governments in helping to resettle Salvadorans. Nicaraguan President Somoza has indicated a willingness to grant land to Salvadorans now detained in Honduras, and Panama has offered to take 450 Salvadoran families who are uneasy about the situation in Honduras. Brazil has also expressed an interest in helping on the resettlement question.

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Guyana: Opposition leader Cheddi Jagan has once again demonstrated his complete control over his People's Progressive Party.

During a special party meeting on 3 and 4 August, Jagan obtained a firm endorsement of his speech in Moscow last June in which he enrolled the party in the "ideological family" of Communist parties. Moderate party leaders had earlier indicated their discontent with Jagan's speech, but at the August meeting they were overruled and the party remains outwardly united. The party leaders also approved a long-sought Jagan objective, the reorganization of the party along strict Soviet lines, with Jagan assuming the title of general secretary.

Prime Minister Burnham controls the election machinery and Jagan has reportedly given up hope of being voted back into office soon. Therefore, he probably reasons that there is no longer anything to gain by attempting to obscure either the party's basic Communist orientation or its subservience to Moscow. [redacted]

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Approved For Release 2004/08/16 : CIA-RDP79T00975A014300070001-5

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USSR-Chile: A Soviet economic delegation is in Santiago holding further talks on the utilization of some \$55 million of Soviet credits extended in 1967.

The Chilean private sector is interested in the Soviet repayment terms which are more favorable than the normal rate for commercial credits. It remains to be seen, however, whether the Soviet trade representatives will be able to overcome Chilean doubts about the quality and price of Soviet goods.

The discussions may include ways to implement other portions of the Soviet credit allocated to the public sector. Despite the fact that a Chilean delegation that went to Moscow in June 1968 arranged for Soviet technicians to come to Chile to do feasibility surveys for a variety of projects, particularly in the mining field, no specific projects have yet been agreed on.

In terms of general trade, Moscow reportedly is interested in purchasing 1,000 tons of electrolytic copper as well as wool, wool thread, fruits, shoes and clothing. The Chileans, in turn, are said to be interested in Soviet aluminum conductors and tubing. [redacted]

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USSR-UN: For the first time the Soviets have shown interest in an agreement on organizing and financing UN peacekeeping forces. A Soviet representative at the UN has described the attitude of high-level Soviet officials, including Foreign Minister Gromyko, as "positive" and a "great improvement over a year ago." He said Moscow wants to "get together" with the US on future UN discussions of peacekeeping. The change in Moscow's attitude may stem in part from its current interest in appearing to cooperate with the US on certain problems. Another possible explanation could be Soviet recognition that a UN force might be involved in any Middle East settlement.

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Bolivia-USSR: President Siles announced on 6 August that Bolivia will exchange ambassadors with the USSR "shortly." Bolivia has had diplomatic relations with the Soviet Union for many years, but the two countries have never exchanged ambassadors. This will bring Soviet representation in Latin America to an all-time high. Siles' approach to the Soviet Union is in line with the policy of the late president Barrientos, who had been expanding Bolivia's relations with Communist countries. Siles, however, also emphasized his friendship for the US, describing US cooperation under the Alliance for Progress as "effective" and Governor Rockefeller's visit to Bolivia as "useful."

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